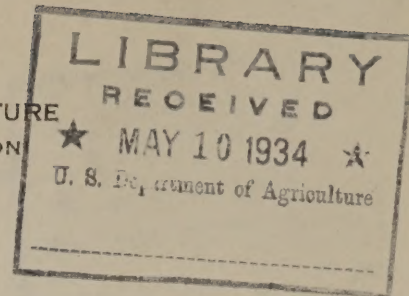


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.



We are glad to know of your interest in the efforts now being made to assist cattle producers.

At the preliminary conference held in Chicago on April 26th, which was attended by representatives of cattle producers from all sections of the country, it was decided to have a committee of 25 members appointed to form a cattle program in accordance with the provisions of the Agricultural Adjustment Act. It is not the intention of this Administration to force upon cattle producers any plan which does not receive their full endorsement and support. However, it is pertinent to point out that the studies of the cattle situation made by our officials indicate that some definite measure for relief should be effected.

A processing tax is the means provided under the Agricultural Adjustment Act for obtaining money to make benefit payments under any adjustment program. This does not mean that a processing tax would be immediately applied if an adjustment program for cattle producers is adopted. Any tax which might eventually be levied would undoubtedly be moderate and graduated upward as the effects of the adjustment program became operative.

If an adjustment program is not adopted for the cattle industry, beef may be subjected to a compensating tax because of its competitive relationship with meats upon which such processing taxes are already in effect, and because of the legal requirement that compensatory taxes be levied to correct any competitive disadvantages caused by processing taxes. In this case, cattlemen would receive no direct benefit.

We are enclosing several publications which outline the cattle situation in detail. We believe these pamphlets will be of particular help to you in understanding the conditions which cattle producers face today.

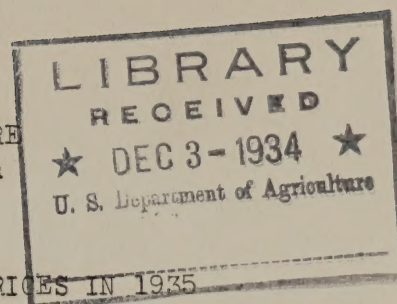
Very truly yours,

Harry Petrie,
Chief, Cattle and Sheep Section.

Enclosures.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Commodities Purchase Section



CATTLE OUTLOOK INDICATES MATERIALLY HIGHER CATTLE PRICES IN 1935

The outlook for the cattle industry has been changed greatly as a result of the drought and the drought relief measures taken to aid cattle producers, according to the outlook report issued recently by the Bureau of Agricultural Economics. The report indicates that most of the increase in cattle numbers between 1928 and the beginning of 1934, which amounted to about 10,500,000 head, will have been eliminated by the beginning of 1935. This is the sharpest reduction in a single year in the history of the cattle industry in this country.

Marketings and slaughter of cattle and calves in 1935 are expected to be greatly reduced, with slaughter running smaller than for more than a decade. Reduced slaughter will be much greater in the case of cows and heifers than in steers, and the decrease in slaughter supplies of all classes is likely to be most pronounced during the summer and fall months.

Cattle prices are likely to be considerably higher in 1935 than in 1934, and the greatest relative advance is expected to occur in prices of the lower grades of cattle during the last half of the year. A fairly large market supply of short fed cattle is expected during the first quarter of 1935, but during the late spring and summer, unusually small supplies of all grain-fed cattle are indicated, and a larger-than-usual seasonal advance in prices of such kinds is expected to occur. The level reached by mid-summer is expected to be fairly well maintained until late fall with the better grades of heavier cattle probably commanding a substantial premium over similar grades of lighter weights.

In general, numbers will be reduced little if any in the areas east of the Mississippi River during 1934, but west of the Mississippi River there will be marked decreases which probably will result in a disparity between livestock numbers and feed supplies in the latter half of 1935. Inspected slaughter of cows and heifers in 1934 was much larger than in any recent year, and 80 percent of the cattle purchased by the Government probably will be cows and heifers. As a result of this unusually large slaughter of female cattle, the reduction in the number of those remaining on farms at the end of the year will be relatively greater than any other class except, possibly, calves. It appears likely, therefore, that if weather and crop conditions in 1935 are fairly normal, there will be a strong demand for breeding stock next year. The local demand for all kinds of stock and breeding cattle in the drought stricken States is likely to be strong in the last half of 1935, and farm prices probably will be relatively high as compared with market prices or with farm prices in States in which there has been little reduction in cattle numbers.

Although slaughter supplies of cattle and calves in 1935 are likely to be much smaller than in any recent year, it is hardly probable that cattle numbers will increase during 1935 in view of the prospects for above average death losses and an unusually small 1935 crop. Numbers on farms January 1, 1936, therefore, are likely to be no larger, and may be smaller, than on January 1, 1935, and the upswing of another cattle production cycle is not likely to get under way before 1936.

